

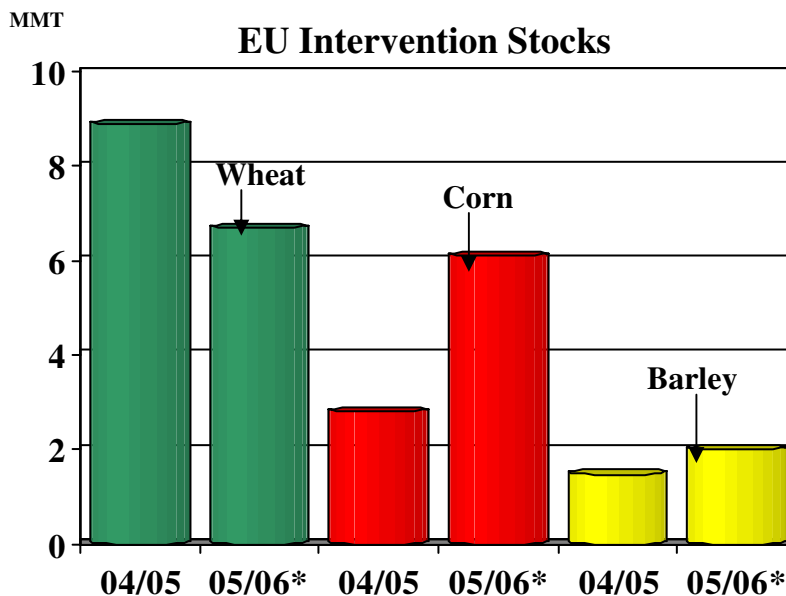
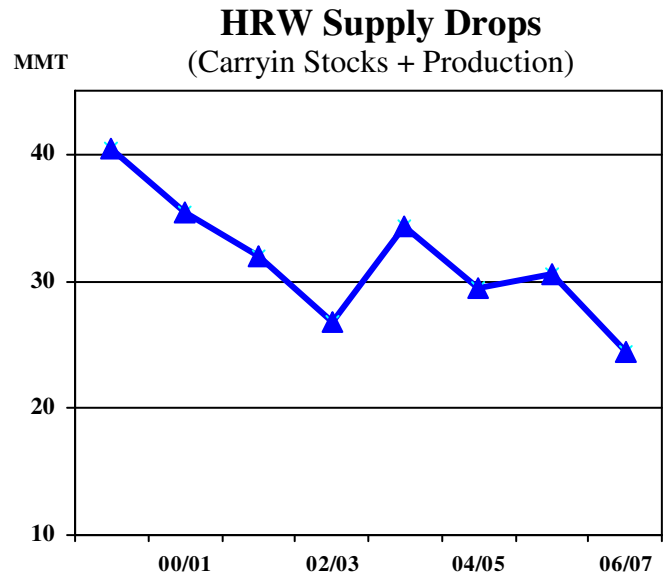
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## WHEAT: WORLD MARKETS AND TRADE

### MONTHLY HIGHLIGHTS:

#### **U.S. Hard Red Winter (HRW) Supply Expected to be Smallest in Over 30 Years:**

HRW production this year is forecast to drop by more than a quarter as drought in key growing areas has decimated the crop. With carryin stocks remaining small as a result of very strong foreign demand in 2005/06, total supply will be at historically low levels. A sharply reduced exportable surplus will curtail exports and export prices have skyrocketed in past weeks to 10-year highs.



**\*Note: 05/06 includes accepted stocks + under offer – stocks sold as of the end of May**

**EU Intervention Wheat Stocks Decline:** After swelling from nearly zero to almost 9 million tons last year, intervention wheat supplies this year have been drawn down by around 2 million tons. With a smaller crop and higher domestic prices, less has been offered into intervention. Conversely, more has moved out as the Commission has been much more aggressive in selling for export. So far this year about 4.5 million tons of intervention wheat has been sold for export, compared to less than a million tons last year. This situation is in stark contrast to corn, where intervention stocks will likely double this year to about 6 million tons. While large amounts of corn were accepted into intervention for a second straight year, primarily in Hungary, the

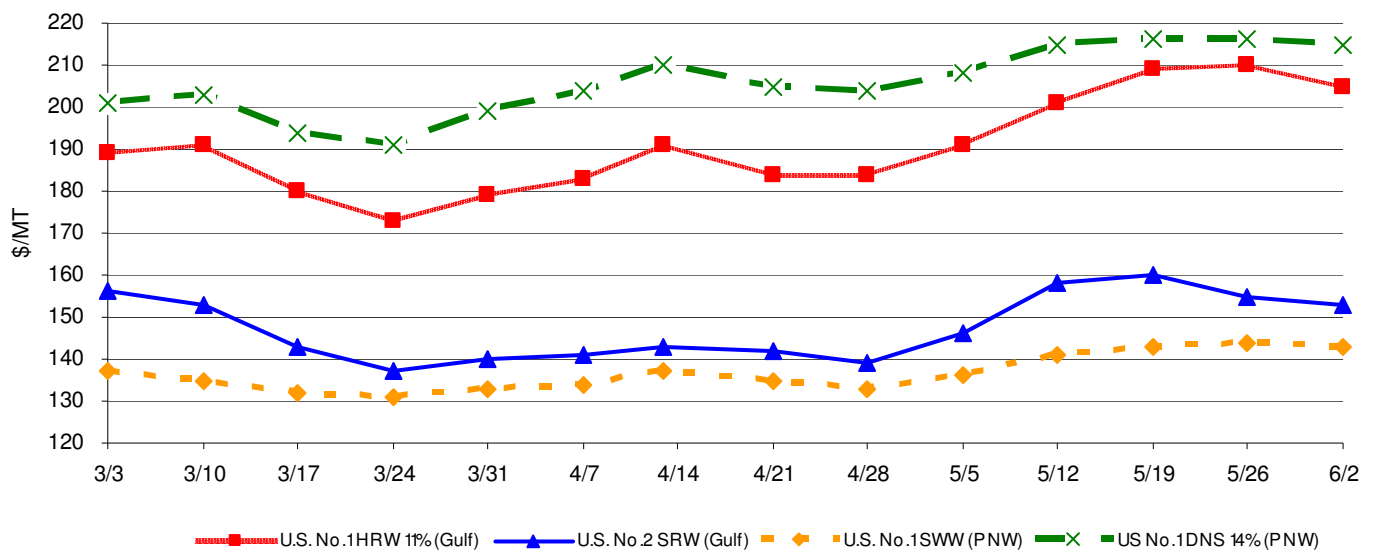
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Commission has not sold any out for export and less than a million tons has been sold domestically. Barley stocks are only expected to grow slightly from last year.

### **PRICES:**

**Domestic:** Prices climbed for all wheat classes in May, especially at the beginning of the month, driven by the continued deterioration of the Hard Red Winter crop. For the month, HRW prices rose \$21 per ton, with SRW up \$14 per ton, HRS up \$11 per ton and Soft White up \$10 per ton.

**U.S. Weekly FOB Export Bids**



### **TRADE CHANGES IN 2006/2007**

#### **Selected Exporters**

- **Argentina** is down 1.0 million tons to 9.5 million as lower area than previously expected will cut exportable supplies.
- **Pakistan** is up 450,000 tons to 500,000 as record production could result in exports to nearby markets.
- **Ukraine** is up 500,000 tons to 1.5 million due to higher estimated production. Exports are still expected to be only about a quarter of last year's level.

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### **Selected Importers**

- **Algeria** is up 500,000 tons to 4.8 million reflecting a reduced crop estimate this month.
- **Morocco** is down 300,000 tons to 1.9 million, the lowest in nearly 10 years, as the result of a record crop.
- **Tunisia** is up 300,000 tons to 1.2 million on smaller expected production.
- **United States** up 100,000 tons to 2.7 million, a 5-year high, as a result of tight domestic supplies.

### **TRADE CHANGES IN 2005/2006**

#### **Selected Exporters**

- **Russia** is up 500,000 tons to 10.5 million with stronger than expected late-season exports.

#### **Selected Importers**

- **Morocco** is down 300,000 tons to 2.6 million on the sluggish pace of imports to date.
- **Nigeria** is down 200,000 tons to 3.7 million as purchases and imports, primarily from the United States, slowed considerably during the second half of the year.
- **Pakistan** is up 200,000 tons to 1.0 million with very strong imports from Russia.
- **Sudan** is up 200,000 tons to a record 1.6 million due to robust late-season imports, especially from Australia. A similar change was made to the 2006/07 forecast.